

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AGRE-00 CIAE-00 COME-00
EB-08 INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00
FRB-03 OMB-01 AID-05 L-03 /060 W
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R 061350Z SEP 77

FM AMEMBASSY TUNIS
TO SECSTATE WASHDC 8169
INFO AMEMBASSY ALGIERS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CAIRO
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
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AMEMBASSY ROME
AMEMBASSY TRIPOLI

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USEEC

E.O. 11652: N/A

TAGS: ETRD, EPAP, TS

SUBJECT: TUNISIAN REACTION TO EC/FRENCH TEXTILE
IMPORT RESTRICTIONS

REF: EC BRUSSELS 10134, EC BRUSSELS A-333

1. SUMMARY. WHILE TUNISIAN GOVERNMENT HAS UNTIL
NOW AVOIDED PUBLIC POLEMICS, IT TAKES VERY SERIOUS
VIEW OF EC-APPROVED FRENCH (AND NOW BENELUX) RESTRIC-
TIONS ON IMPORTS FROM TUNISIA OF SOME FIVE TEXTILE
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ITEMS. GOT CONCERNED BOTH BECAUSE OF THESE MEA-
SURES' IMPACT ON EMPLOYMENT AND EXPORTS AND SHADOW
THEY CAST UPON A BASIC TUNISIAN INDUSTRIAL DEVELOP-
MENT POLICY: EMPLOYMENT-GENERATING BASED ON ACCESS
TO EUROPEAN MARKETS FOR LABOR-INTENSIVE MANUFACTURES.
GOT STILL IS SEEKING SHORT-TERM REMEDIES FROM FRANCE
TO ALLOW DISPATCH OF ACCUMULATED STOCKS ORDERED BY

FRENCH MERCHANTS FOR FALL SEASON AND TO PERMIT CONTINUITY OF EMPLOYMENT HERE. NOW, AS ON OCCASION OF LATE AUGUST PARTICIPATION OF MINISTER FOR PARTY AFFAIRS SALAH IN CONFERENCE ON INTERNATIONAL COOPERATION SPONSORED BY GENERAL SOCIAL DEMOCRATIC PARTY AT WEISBADEN, GOT IS BEGINNING TO RAISE ISSUE OF PROTECTIONISM IN TEXTILES WITHIN BROADER CONTEXTS OF MAGHREB-EC AND NORTH-SOUTH RELATIONS. A FEW TUNISIANS CITE "BRUTAL" FRENCH ACTION AS EVIDENCE THAT WESTERN MARKET ORIENTATION IS TOO RISKY. IN THIS SENSE, EUROPEAN PROTECTIONISM ULTIMATELY COULD PUT AT RISK TUNISIA'S POLICIES OF EXPORT-ORIENTED GROWTH AND WIDENING SCOPE FOR MARKET FORCES--AND LEADERSHIP WHICH HAS SPONSORED THESE POLICIES SINCE EARLY SEVENTIES. HOWEVER, MOST OF INDUSTRY IS REACTING IN HEALTHY FASHION TO CHALLENGE, RECOGNIZING NEED FOR AGGRESSIVE AND DIVERSIFIED MARKETING EFFORT. IN THIS CONTEXT, TEXTILE MANUFACTURERS ASSOCIATION (FENATA) PLANS TRADE MISSION TO U.S. AND CANADA. EMBASSY BELIEVES SUCH MISSION--COUPLED WITH SUPPORT FOR CONTINUING TUNISIAN ACCESS TO EC MARKETS--COULD OFFER GOOD OPPORTUNITY TO EMPHASIZE AND STRENGTHEN U.S.-TUNISIAN COMMERCIAL RELATIONS WITHIN CONTEXT OF JOINT COMMISSION. END SUMMARY.

2. UNLIKE MOROCCAN GOVERNMENT, GOT SO FAR HAS AVOIDED PUBLIC DISPLAY OF ANGER OR TALK OF REPRISALS AGAINST THE FRENCH FOR IMPORT RESTRICTIONS THEY INITIATED AND WHICH WERE IMPOSED BY EC IN JULY AND AUGUST LIMITED OFFICIAL USE

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ON TUNISIAN TEXTILES INCLUDING MEN'S AND WOMEN'S SHIRTS, T-SHIRTS, AND UNDERWEAR. (AUGUST RESTRICTIONS ON TUNISIAN COTTON CLOTH ARE ON SHIPMENTS TO BENELUX.) HOWEVER, IF NEGOTIATIONS CONTINUING AT BOTH POLITICAL AND TECHNICAL LEVELS SHOULD FAIL, TUNISIANS INTEND TO PRESS POLICY OF REDIRECTING TEXTILE AND OTHER PURCHASES AWAY FROM FRANCE.

3. GOT HAS FORMALLY REJECTED QUOTA RESTRICTIONS AS UNJUSTIFIED AND IN VIOLATION OF 1976 EC-TUNISIA COOPERATION AGREEMENT. GOT HAS POINTED OUT NOT ONLY THAT VOLUME OF TUNISIAN EXPORTS IS TOO SMALL TO INJURE EUROPEAN MANUFACTURERS, BUT ALSO: A) ACTION TAKEN WITHOUT PRIOR CONSULTATIONS; B) DEVELOPMENT OF TUNISIAN EXPORTS FULLY PREDICTABLE AT TIME THAT NEW EC-TUNISIAN AGREEMENT WAS SIGNED IN 1976; AND C) TUNISIAN MOVE INTO LABOR-INTENSIVE MANUFACTURES, INCLUDING TEXTILES, WAS TAKEN WITH EXPLICIT ENCOURAGEMENT (AND OFFICIAL INVESTMENT GUARANTEES) OF EUROPEANS WHEN LATTER INDICATED THAT EC AGRICULTURAL POLICY AFFORDED LITTLE FUTURE FOR TRADE IN MEDITERRANEAN AGRICULTURAL PRODUCTS.

4. GOT OFFICIALS, WHILE ANGRY, UNDERSTAND CURRENT PROBLEMS OF FRENCH POLITICS, PARTICULARLY ON EVE OF ELECTIONS. THEY ACCEPT THAT SOME IMPORT RESTRICTIONS MAY HAVE BEEN UNAVOIDABLE BUT FIND IT INEXCUSABLE THAT GOF FAILED TO TAKE TUNISIAN INTERESTS AND SPECIAL RELATIONSHIP INTO ACCOUNT, AND EC, DISREGARDING "IRREVERSIBLE" TREATY COMMITMENTS, NOW THREATENS TO SPREAD PROTECTIONIST CONTAGION AMONG MEMBERS.

5. TEXTILE EXPORT INDUSTRY IN TUNISIA IS RECENT AND PERHAPS MOST DYNAMIC SECTOR WHERE PRIVATE OWNERSHIP--FOREIGN AND TUNISIAN--PREDOMINATES. IT ALSO HAS UNUSUAL IMPORTANCE IN TERMS OF EMPLOYMENT--ABOUT 28,000 WORKERS, MAINLY WOMEN WORK IN MODERN--NOT-LIMITED OFFICIAL USE

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ABLY GARMENT--SECTOR OF TEXTILES, 14,000 IN JOBS CREATED DURING THE LAST FOUR YEARS. REVITALIZED INDUSTRY REALLY JUST GOT GOING IN 1976; EXPORTS IN FIRST HALF OF 1977 WERE APPROXIMATELY EQUAL TO THOSE FOR ENTIRE YEAR 1976. (OF TOTAL 1976 EXPORTS OF ABOUT \$100 MILLION--MAINLY GARMENTS OF BLUE DENIM--FRENCH MARKET ABSORBED SOMETHING OVER ONE-THIRD.) TUNISIANS MAINTAIN THAT WHILE IMPORT QUOTA LEVELS SET ON BASIS OF 1976 SHIPMENTS MAY BE TOLERABLE FOR MORE

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USEEC

MATURE INDUSTRIES, SUCH AS THAT OF MOROCCO, THEY PUT TUNISIA IN IMPOSSIBLE POSITION. IN MOST EXTREME CASE, QUOTA SET TOYHMEN'S SHIRTS, AT 119 PERCENT OF 1976 EXPORTS, MEANS VIRTUAL BAN ON ADDITIONAL SHIPMENTS DURING SECOND HALF OF 1977-- AND POSSIBLE PLANT SHUTDOWNS. FOR OTHER PRODUCTS, QUOTAS REPRESENT ONE-THIRD TO ONE-HALF OF EXPECTED EXPORTS FOR SECOND HALF OF 1977.

6. NATIONAL TEXTILE FEDERATION (FENATEX) AND FOR-EIGN TRADE SECTION OF MINISTRY OF NATIONAL ECONOMY STILL ARE EXPLORING ALL POSSIBLE MEANS TO DEAL WITH SHORT-TERM PROBLEM AND KEEP INDUSTRY GOING FOR BALANCE OF THIS YEAR. IN TALKS WITH FRENCH OFFICIALS

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THEY ARGUE THAT IF TUNISIANS CANNOT MAKE DELIVERIES THIS MONTH, DAMAGE WILL BE DONE TO TUNISIAN INDUSTRY AND FRENCH RETAILERS (AND THEIR CLIENT RELATIONSHIP) WHILE DOING NOTHING TO HELP FRENCH MANUFACTURERS--FOR WHOM IT IS TOO LATE TO PRODUCE FOR THE FALL SEASON

VARIOUS STRATEGEMS, SUCH AS SEEKING A RULE OF ORIGIN WHICH WOULD TREAT FRENCH-CUT CLOTHING SEWED IN TUNISIA AS FRENCH PRODUCT, ARE BEING EXAMINED.

7. ECONOMIC COUNSELOR HAS DISCUSSED PROBLEM SEVERAL TIMES WITH ARTICULATE FENATEX PRESIDENT MOURAD BOUKHRIS, WHOSE INTERVIEW IN SEPTEMBER 2 "LE TEMPS" IS MOST EXPLICIT TREATMENT YET IN TUNISIAN PRESS

OF EMPLOYMENT AND OTHER IMPLICATIONS OF PROBLEM. BOUKHRIS DECLARED THAT 5,000 JOBS ARE AT STAKE IN SOME 30 AFFECTED FIRMS WHICH COULD BE FORCED TO REDUCE HOURS, LAYOFF WORKERS AND EVEN SHUT-DOWN THIS FALL. PERHAPS MOST SERIOUS IS DE FACTO MORATORIUM HERE ON NEW INVESTMENT IN MODERN TEXTILES. UNDER NEW FIVE-YEAR PLAN THIS SECTOR IS PROJECTED TO CREATE OVER 25,000 ADDITIONAL JOBS BY 1981. TUNISIAN INVESTMENT PROMOTION AGENCY (API) TAKES PARTICULARLY SERIOUS VIEW OF IMPACT OF THE EC/FRENCH IMPORT MEASURES, WHICH ARE SEEN TO CAST SHADOW OF NEW EUROPEAN PROTECTIONISM ON ENTIRE TUNISIAN INVESTMENT PROMOTION PROGRAM.

8. TUNIS PRESS HAS REPORTED VARIOUS DEMARCHES ON RESTRICTIONS, SUCH AS THOSE OF AMBASSADOR TO FRANCE MABROUK WITH FRENCH MINISTER OF IN-

DUSTRY MONORY. PRIME MINISTER NOUIRA AND OTHER SENIOR OFFICIALS, WHI
LE
BUBLICLY DEPLORING PROTECTIONIST MEASURES AND LARGE TRADE DEFICIT,
HAVE MAINTAINED DECORUM IN RESPECT TO COMMERCIAL RELATIONS WITH FRANC
E.
BUSINESSMEN AND SECOND-LEVEL OFFICIALS, HOWEVER, TELL US THAT
DECISIONS ALREADY HAVE BEEN MADE TO DIVERT TEXTILE AND OTHER PRO-
CUREMENT AWAY FROM FRANCE. AS IS CASE WITH MOROCCO, TUNISIA HAS OPTI
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ON
OF "MEASURED RETALIATION" SINCE, FOR INSTANCE, IT HAS UNTIL NOW RUN
A TRADE DEFICIT WITH FRANCE IN TEXTILES SECTOR ITSELF--LAST YEAR
IMPORTING 21 MILLION DINARS (\$50 MILLION) WORTH FROM FRANCE AS COMPAR
ED
WITH 14 MILLION DINARS (\$33 MILLION) IN EXPORTS. (IN ANY EVENT,
TRADE DEFICIT WITH FRANCE IS SORE POINT. FOR 1976, THIS AMOUNTED
TO 48 PCNT OF TUNISIA'S GLOBAL DEFICIT OF 318 MILLION DINARS.)
9. MARKETING HAS NOT USUALLY BEEN STRONG POINT OF TUNISIAN
INDUSTRY. IN CASE OF MANY TEXTILE INVESTMENTS, IT WAS VIRTUALLY
IGNORED AS SOMETHING ASSURED BY DIRECT LINKS TO PARENT
FIRMS IN EUROPE. TUNISIAN TEXTILE INDUSTRY NOW IS LEARNING A MAR-
KETING LESSON-- THAT THEY MUST THEMSELVES CONDUCT AGGRESSIVE
PROGRAMS, IN PARTICULAR SEEKING NEW MARKETS IN GERMANY AND NOR-
THERN EUROPE, IN AFRICA AND IN NORTH AMERICA. FENATEX DIRECTOR
BOUKHRIS APPEARS TO BE ORCHESTRATING HEALTHY RESPONSE TO THIS LONG-
TERM PROBLEM IN COOPERATION WITH CEPEX (GOT EXPORT PROMOTION CENTER)
AND API. MARKETING ENTITIES ARE BEING ESTABLISHED ABORAD.
BOUKHRIS WAS BACK LAST WEEK FROM LIBYA WITH PRUCHASE AND JOINT VENTUR
E
COMMITMENTS, AND 18 TUNISIAN FIRMS HAVE JUST PARTICIP NOD IN A MEN'S
WEAR TRADE SHOW IN COLOGNE. (TUNISIAN TEXTILE EXPORTS TO WEST
GERMANY FOR FIRST HALF OF THIS YEAR REACHED 40 MILLION DM, 61
PERCENT ABOVE SAME PERIOD LAST YEAR.) MARKET RESEARCH IS UN-
DERWAY WITHIN FENATEX AND TRADE MISSIONS ARE PLANNED FOR ALGERIA,
IVORY COAST AND LIBYA (AGAIN).
10. HIGH HOPES RIDE ON TRADE MISSION PLANNED TO TAKE TUNISIAN
ENTERPRENEURS TO U.S. AND CANADA LATER THIS
YEAR. AS BOUKHRIS HAS POINTED OUT TO E/C COUNSE-
LOR, USG MAY HAVE APPLIED IMPORT RESTRICTIONS TO ASIAN AND
OTHER TEXTILE EXPORTING COUNTRIES, BUT IT CONSISTENTLY HAS
RECOGNIZED AND RECONCILED THE ECONOMIC INTERESTS OF BOTH PARTIES.
11. COMMENT: (A) EMBASSY IS WAITING FOR TUNISIANS

TO DEVELOP PLANS FOR NORTH AMERICAN TEXTILE MISSION,
WHICH WE EXPECT TO EMPHASIZE ARRANGEMENTS FOR CON-
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TRACT PRODUCTION AND DIRECT SALES, BUT ALSO TO
EXTEND TO PURCHASE OF U.S. FABRIC AND EQUIPMENT.
ASSUMING MISSION PLANS DO MATURE, WE ARE CON-
VINCED IT SHOULD RECEIVE STRONG SUPPORT FROM COMMERCE
AND OTHER USG AGENCIES. WE SEE SUCH MISSION AS IN-
CREASING U.S. COMMERCIAL OPPORTUNITIES IN WHAT IS NOW
FRENCH-DOMINATED MARKET--AND SERVING EFFORTS TO GIVE
GREATER EMPHASIS TO TRADE AND INVESTMENT ACTIVITIES
UNDER U.S.-TUNISIAN JOINT COMMISSION. (B) IN BROAD-
EST PERSPECTIVE, USG SHOULD NOT ONLY SUPPORT TUNISIAN
EFFORTS AT MARKET DIVERSIFICATION BUT ALSO,
DIPLOMATICALLY, DO WHAT WE CAN TO HELP ASSURE THE
HEALTH OF TUNISIA'S EC/FRENCH CONNECTION. AS REPRESENTATIVES OF EC GOVERNMENTS SHOULD BE REMINDED WHEN
OCCASIONS ARISE, THIS REMAINS THE CORNERSTONE AND
SINE QUA NON OF TUNISIA'S EXPORT-ORIENTED DEVELOP-
MENT AND ITS INCREASINGLY MARKET-ORIENTED ECONOMIC POLICY.
MULCAHY.

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